

State Land Department

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	125.7	125.7	130.7 ^{1/}
Personal Services	6,130,900	6,890,200	7,378,200
Employee Related Expenditures	2,398,200	2,917,400	2,921,500
Professional and Outside Services	1,003,700	1,341,500	1,341,500
Travel - In State	132,100	151,600	151,600
Travel - Out of State	15,600	15,600	15,600
Other Operating Expenditures	3,013,500	3,224,800	3,224,800
Equipment	79,200	75,500	75,500
OPERATING SUBTOTAL	12,773,200	14,616,600	15,108,700
SPECIAL LINE ITEMS			
CAP User Fees	481,100	641,600	673,600 ^{2/}
Due Diligence Fund	0	500,000	500,000
Natural Resource Conservation Districts	561,800	650,000	650,000 ^{3/}
Northern Arizona Landing Strip	0	0	0 ^{4/}
Scanning and Digitizing Trust Land Records	0	0	1,200,000
Trust Land Management Fund Repayment	15,018,000	0	0
AGENCY TOTAL	28,834,100	16,408,200	18,132,300 ^{5/}
FUND SOURCES			
General Fund	1,253,800	12,473,700	12,509,800
<u>Other Appropriated Funds</u>			
Due Diligence Fund	0	500,000	500,000
Environmental Special Plate Fund	171,800	260,000	260,000
Risk Management Revolving Fund	25,957,300	0	0
Trust Land Management Fund	1,451,200	3,174,500	4,862,500
SUBTOTAL - Other Appropriated Funds	27,580,300	3,934,500	5,622,500
SUBTOTAL - Appropriated Funds	28,834,100	16,408,200	18,132,300
Other Non-Appropriated Funds	637,300	827,400	827,400
Federal Funds	293,900	231,700	231,700
TOTAL - ALL SOURCES	29,765,300	17,467,300	19,191,400

AGENCY DESCRIPTION — The agency manages the state's 9.3 million acres of trust land on behalf of its 14 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from the operators of 2 copper mines on state land.

<i>Operating Budget</i>	<i>FY 2015</i>
General Fund	\$11,446,200
Trust Land Management Fund	3,662,500
These amounts fund the following adjustments:	

- ^{1/} Includes 1 OF FTE Positions funded from a Special Line Item in FY 2015.
^{2/} The appropriation includes \$673,600 for Central Arizona Project User Fees in FY 2015. For FY 2015, from municipalities that assume their allocation of Central Arizona Project water for every dollar received as reimbursement to the state for past Central Arizona Water Conservation District payments, \$1.00 reverts to the state General Fund in the year that the reimbursement is collected. (General Appropriation Act footnote)
^{3/} Of the amount appropriated for Natural Resource Conservation Districts in FY 2015, \$30,000 must be used to provide grants to Natural Resource Conservation Districts environmental education centers. (General Appropriation Act footnote)
^{4/} The General Appropriation Act, as originally passed, included \$10,000 from the General Fund in FY 2015 for the Northern Arizona Landing Strip Special Line Item. This amount was line-item vetoed by the Governor thus reducing the total appropriation by a corresponding amount.
^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Land Exchange Program

The budget includes an increase of \$488,000 and 4 FTE Positions from the Trust Land Management Fund in FY 2015 for the Land Exchange Program.

The program will use these monies to fund expenses relating to Proposition 119 and A.R.S. § 37-604, which allow state land to be exchanged for public land to improve the management of state land for the purpose of sale, lease, conversion to public use of state lands or to assist in preserving and protecting military facilities in this state.

Statewide Adjustments

The budget includes an increase of \$4,100 from the General Fund in FY 2015 for statewide adjustments. (*Please see the Agency Detail and Allocations section.*)

CAP User Fees

The budget includes \$673,600 from the General Fund in FY 2015 for Central Arizona Project (CAP) User Fees. This amount funds the following adjustments:

CAP Rate Increase

The budget includes an increase of \$32,000 from the General Fund in FY 2015 to adjust the appropriation for new CAP rates. This assumes that the department will be billed for “capital charges” of \$21 per acre foot on 32,076 acre feet of water in FY 2015 for a total charge of \$673,600. This amount would be \$32,000 above the revised appropriation for CAP user fees for FY 2014 of \$641,600. The revised FY 2014 appropriation reflected capital charges of \$20 per acre foot.

Pursuant to A.R.S. § 36-106.01, the State Land Department has a long-term contract with the Central Arizona Water Conservation District (CAWCD) (the governing entity for CAP) for the rights to purchase 32,076 acre-feet of CAP water annually for municipal and industrial uses on state trust lands. The department typically does not take delivery of the water, but must still pay capital charges to the CAWCD each year in order to maintain its CAP water rights. (The CAWCD uses revenue from capital charges to fund repayment of federal construction debt for the CAP.) Maintaining CAP water rights on state trust lands increases their market value. When CAP water rights on state trust lands are transferred to a municipality through the sale or lease of state trust lands, the State General Fund is reimbursed for all previous costs associated with the water rights pursuant to A.R.S. § 37-106.01C. (*Please see related General Appropriation Act footnote.*)

The original FY 2014 budget appropriated \$513,300 for CAP User Fees for FY 2014 based on assumed capital charges of \$16 per acre-foot. In June 2013, however, CAP increased the FY 2014 capital charges to \$20 per acre-foot, resulting in a \$(128,300) shortfall for the program for

FY 2014. Laws 2014, Chapter 18 provided the department with \$128,300 in supplemental funding from the General Fund in FY 2014 to address this shortfall.

Due Diligence Fund

The budget includes \$500,000 from the Due Diligence Fund in FY 2015 for this line item. This amount is unchanged from FY 2014.

The State Land Department uses monies in this line item to fund due diligence studies on land that it prepares for auction. The purchasers of State Trust land then reimburse the State Land Department for the cost of the studies.

Natural Resource Conservation Districts

The budget includes \$650,000 in FY 2015 for Natural Resource Conservation Districts (NRCDs). This amount consists of:

General Fund	390,000
Environmental Special Plate Fund	260,000

These amounts are unchanged from FY 2014.

Monies in this line item are used to provide for natural resource research, activities, and staff at the state's 32 NRCDs. These districts are established to provide local conservation assistance and education and to coordinate the receipt of federal grants. A.R.S. § 37-1014 requires the department to include in its budget request up to \$30,000 for each NRCD and \$60,000 for each education center for a 2-year period.

A General Appropriation Act footnote requires that \$30,000 of the total appropriation for NRCDs be used to provide grants to NRCD environmental education centers. There are currently 24 education centers sponsored or co-sponsored by 30 NRCDs. The \$30,000 is divided among the 24 education centers, meaning each center receives \$1,250. Districts that sponsor an education center also receive \$5,000 each year from the Environmental Special Plate Fund, per A.R.S. § 37-1015.

The revenue deposited in the Environmental Special Plate Fund consists of \$17 of the \$25 fee for environmental license plates. Current levels of Environmental Special Plate Fund revenue do not permit expenditure of the full appropriation. Revenue for FY 2013 totaled \$166,700 and will not be able to fund the appropriated amount which is set at \$260,000. The revenue generated from the Environmental Special Plate Fund has trended downward and license plate sales have not reached \$260,000 since FY 2007.

The Environment Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 13) increases the maximum amount that the

Land Department may include in its budget request for Natural Resources Conservation Districts from \$30,000 to \$40,000 each.

Northern Arizona Landing Strip

The General Appropriation Act, as originally passed, included \$10,000 from the General Fund in FY 2015 for the Northern Arizona Landing Strip. This amount was line-item vetoed by the Governor.

The \$10,000 appropriation would have provided funding for insurance needed to re-establish the Northern Arizona Landing Strip (“Tuweep”), which is on the north rim of the Grand Canyon. When open, it saw an average of 3 private aircraft landings per week during the busy season and has been used by the Bureau of Land Management as a staging area for firefighting operations.

Scanning and Digitizing Trust Land Records

The budget includes \$1,200,000 and 1 FTE Position from the Trust Land Management Fund in FY 2015 for Scanning and Digitizing Trust Land Records. These amounts fund the following adjustments:

One-Time Funding

The budget includes an increase of \$1,200,000 and 1 FTE Position from the Trust Land Management Fund in FY 2015 for one-time funding for scanning and digitizing land trust records.

Monies in this line item will be used for the purpose of managing the digital conversion in addition to funding a data system to modernize and improve workflow and security of the business processes and systems.

Trust Land Management Fund Repayment

The budget includes no funding in FY 2015 for the Trust Land Management Fund Repayment. The FY 2014 budget included a one-time FY 2013 supplemental appropriation of \$15,018,000 to refund earlier Trust Land Management Fund payments that were used in FY 2010 and FY 2011 to pay a portion of the State Land Department’s operating budget. Subsequent court decisions ruled this practice unconstitutional and required that the diverted monies be refunded to the Trust Land Management Fund.

Other Issues

Proposition 119

The Proposition, approved by voters in 2012, authorizes exchanges of State Trust land for public land for the purpose of preserving and protecting military facilities from encroaching development and to improve the

management of state lands for the purpose of sale or lease. Exchanges may be made for land owned or administered by other state agencies, counties, municipalities, the United States or its agencies. These exchanges cannot be made with private land owners. A.R.S. § 37-604 was also amended pursuant to SB 1001 to establish the specific exchange steps.